PARTS OF THE ORIGINAL DOCUMENT

ARE OF POOR REPRODUCTIVE QUALITY

CERTAINES PARTIES DU DOCUMENT ORIGINAL

SONT DE PIÈTRE QUALITÉ DE REPRODUCTION

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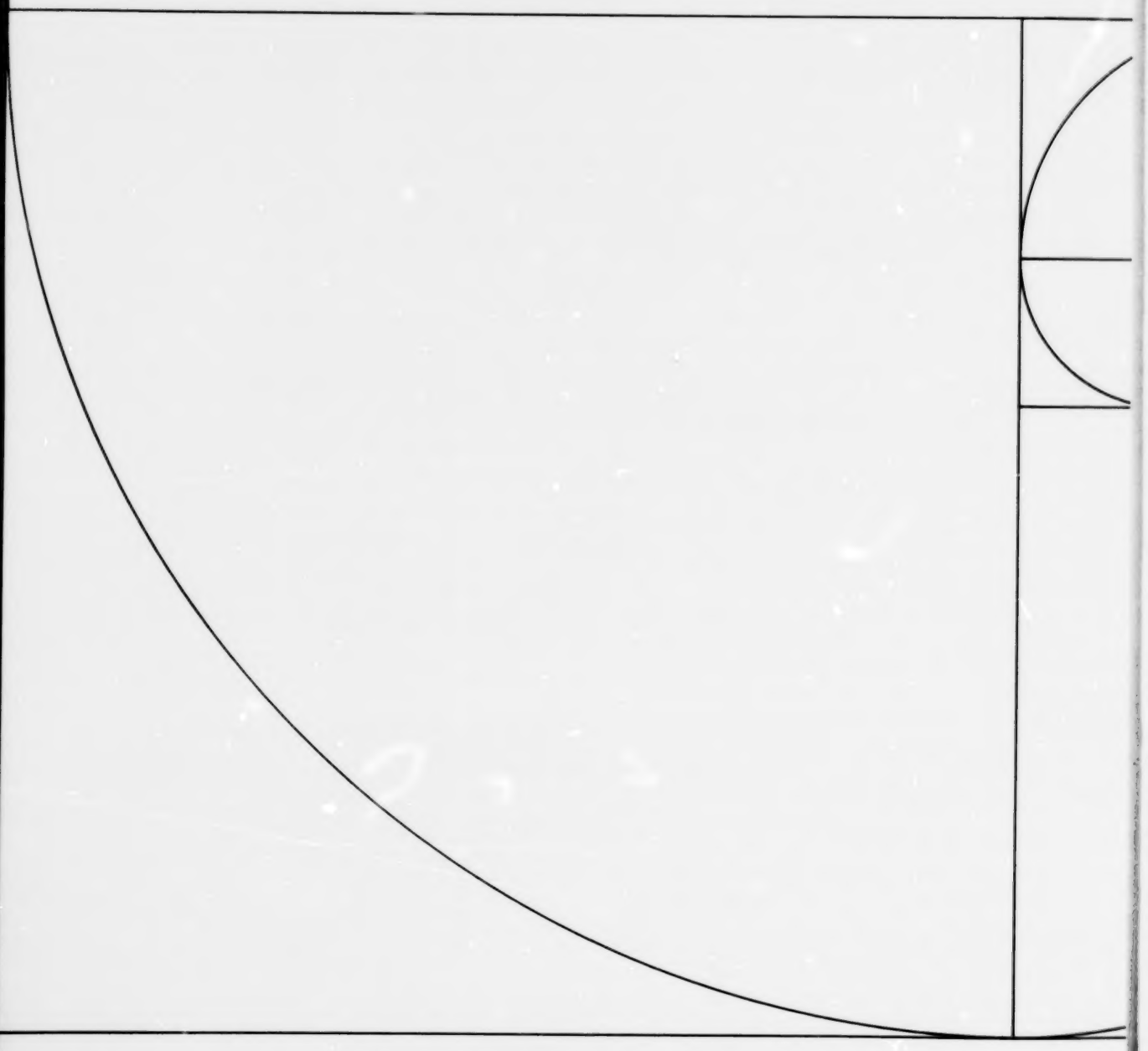
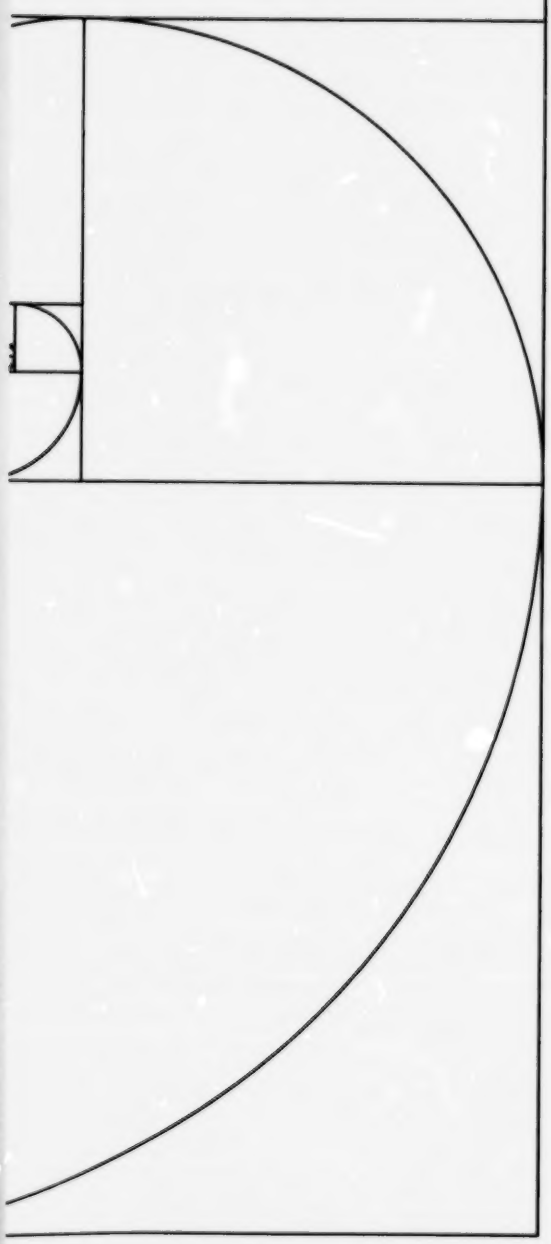


The corporate mission of SGF is to promote and execute, in co-operation with other partners, industrial development projects in strategic sectors in accordance with the economic policies of the gouvernement du Québec.

In this capacity, SGF manages a group of larger manufacturing concerns, and is responsible for the planning and development of the companies it controls, according to criteria of growth and profitability.

SGF was established in 1962 and the gouvernement du Québec is the shareholder. With net earnings of $42.6 million in 1986 compared to $26.7 million in 1985, SGF is one of the largest industrial groups in Québec.

At December 31, 1986, SGF was active in aluminum production, petrochemicals, forest products, shipbuilding and energy-related equipment, and biotechnology.



Report of the Directors

Net earnings of Le Groupe SGF were $42.6 million in 1986, an increase of more than $15.8 million over the previous year. The improvement is attributable mainly to favorable conditions in the forest products industry, which accounts for a major part of SGF's assets. In addition, Albecour made its first shipments of aluminum during the year and began to generate earnings.

Operating revenues were $315.6 million in 1986 compared to $699 million in 1985. The reason for the decrease is that Dofor and Donohue financial results are no longer consolidated, following SGF's announcement in October 1986 that it planned to divest its holdings in these companies. Donohue revenues of $475.6 million in 1986 are accordingly omitted from SGF consolidated revenues.

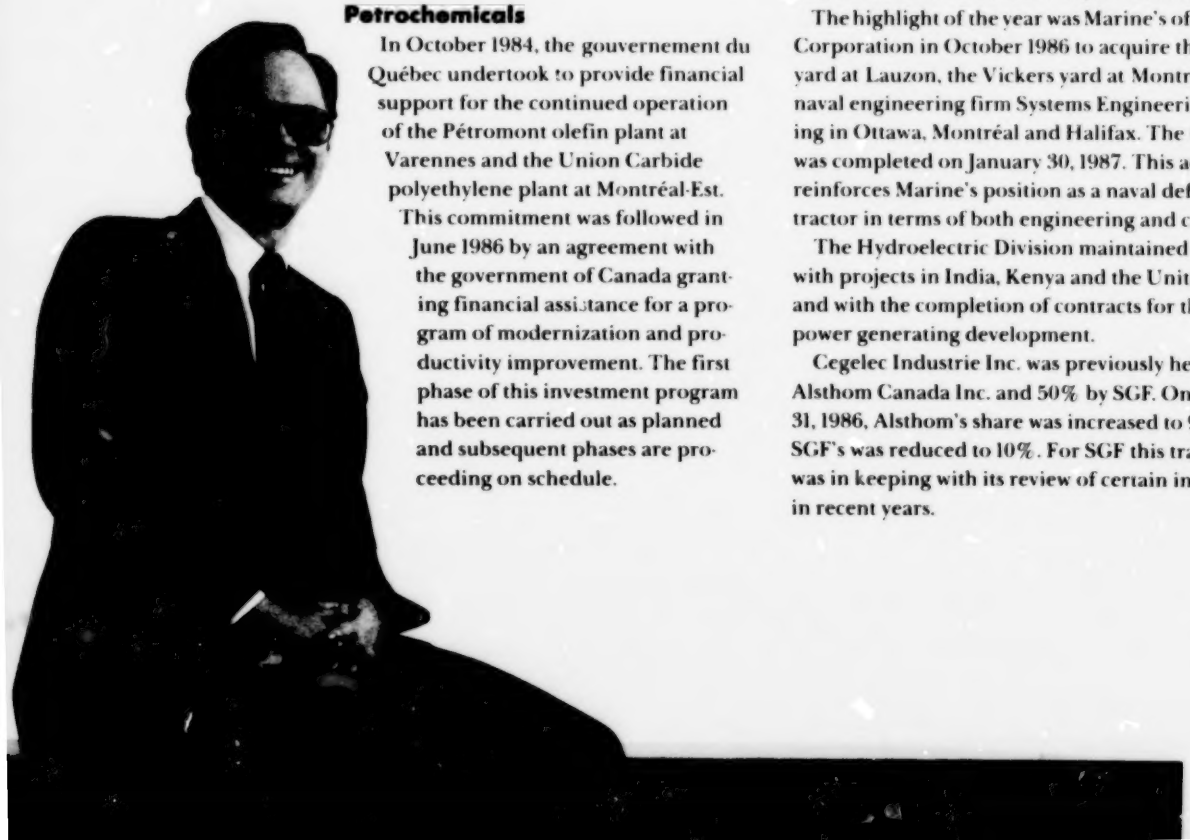
Aluminum

The Bécancour smelter is recognized as one of the most advanced and efficient in the world. Inaugurated last September 8, the facility was brought to its maximum annual production capacity of 230,000 tonnes on February 18, 1987. This project represents a remarkably successful collaboration between SGF and foreign partners.

SGF's subsidiary Albecour, société en commandite shares undivided ownership of Bécancour with Pechiney of France and Alumax of the U.S. During 1986 Albecour began marketing its share of aluminum production, attaining sales of $21.7 million and net earnings of $6.4 million. In 1987, the company will be able to market its full share of 57,000 tonnes and, if prices continue firmer, is expected to have a good year.

Petrochemicals

In October 1984, the gouvernement du Québec undertook to provide financial support for the continued operation of the Pétromont olefin plant at Varennes and the Union Carbide polyethylene plant at Montréal-Est. This commitment was followed in June 1986 by an agreement with the government of Canada granting financial assistance for a program of modernization and productivity improvement. The first phase of this investment program has been carried out as planned and subsequent phases are proceeding on schedule.



Éthylec Inc., an SGF subsidiary holding the group's interests in Pétromont, société en commandite, Alcools de Commerce Enrg. and Pipelines Shawinigan Enrg., in 50% partnership with Union Carbide Canada Limited, had net earnings of $958,000 in 1986 compared to $3.2 million in 1985. The decrease was partly due to the losses sustained by the Montréal-Est olefin plant before its closing in November 1986.

Forest Products

Domtar sales increased from $2.1 billion in 1985 to $2.3 billion in 1986 and net earnings were $145 million compared to $110.4 million for the previous year. Donohue sales reached a record $475.6 million in 1986 and net earnings increased from $20.7 million in 1985 to $24.5 million in 1986. Dofor Inc., the SGF subsidiary which holds the group's interests in Donohue and Domtar, had net earnings of $52.6 million compared to $33.8 million in 1985.

During the year, Domtar negotiated the purchase from Imasco Limited of Montréal of the gypsum manufacturing facilities of Genstar Corporation for $241 million US. This acquisition was completed on February 27, 1987. Restructuring of the fine papers complex at Windsor, Québec, is proceeding as planned. In a major Donohue project, a new newsprint machine is being installed at Clermont and is scheduled to begin operation in the last quarter of 1987.

Shipbuilding and Energy-Related Equipment

Marine Industrie Limitée had earnings of $1.5 million on sales of $153.1 million in 1986, compared to $5.6 million loss on sales of $113.8 million, in 1985.

The highlight of the year was Marine's offer to Versatile Corporation in October 1986 to acquire the Davie shipyard at Lauzon, the Vickers yard at Montréal, and the naval engineering firm Systems Engineering, operating in Ottawa, Montréal and Halifax. The transaction was completed on January 30, 1987. This acquisition reinforces Marine's position as a naval defence contractor in terms of both engineering and construction.

The Hydroelectric Division maintained its activities with projects in India, Kenya and the United States and with the completion of contracts for the LG-4 power generating development.

Cegelec Industrie Inc. was previously held 50% by Alsthom Canada Inc. and 50% by SGF. On December 31, 1986, Alsthom's share was increased to 90% and SGF's was reduced to 10%. For SGF this transaction was in keeping with its review of certain investments in recent years.

Biotechnology

Bio-Méga Inc., a wholly-owned subsidiary of SGF, was established in 1982. The year 1986 was marked by the formulation of a five-year development plan, the rationalization of operations and personnel, and the initiation of research projects of strong growth potential.

Bio-Méga is in the start-up stage and must invest substantial funds in research and development at a time when its revenues are still limited. The company had revenues of $1.7 million in 1986 and recorded a loss of $4 million.

At its subsidiary Bio-Méga Diagnostic, increased product diversification and the implementation of new technologies are expected to result in accelerated sales growth.

Other Highlights

In September, following the work of a joint committee formed the previous April, the gouvernement du Québec announced a redefinition of SGF's mission. The Company's priority will now be to promote and carry out, together with partners, industrial development projects in strategic sectors according to the economic development policies of Québec.

As part of this reorientation, SGF announced in October 1986 that it planned to divest its Donohue and Domtar interests held by Dofor.

On February 18, 1987, Dofor accepted Quebecor Inc.'s offer of $320 million in cash for its interest in Donohue. The closing of this transaction is to take place not later than July 31, 1987. The acquiring entity will be a new company owned at least 51% by Quebecor Inc. and at most 49% by the U.K. company British Printing and Communications Corporation PLC.

SGF did not receive a final offer for its interest in Dofor (Domtar) and consequently will retain its investment in Domtar.

Industries Tanguay Inc., an SGF subsidiary which manufactures logging equipment, had revenues of $19.5 million in 1986 and a loss of $780,000. This is attributable to a work stoppage of approximately five months, ending in late February 1987. Industries Tanguay is expected to increase its sales and return to profitability in 1987.

Outlook

The Group's aluminum, petrochemical and forest product companies are expected to benefit from stronger prices for their products in 1987. In addition, Bio-Méga's position should be strengthened by new patent legislation and by possible agreements with partners.

1987 will be an important year for Marine Industrie. The acquisition of Versatile assets will entail the initiation of a reorganization program. In addition, Marine will be called upon to increase its productivity in the face of the very vigorous competition prevailing in its markets.

Finally, SGF will adopt a new development plan in 1987, establishing broad objectives and strategies for the fulfilment of SGF's mission in furtherance of Québec's economic growth.

Board of Directors

In October 1986, the Board of Directors accepted the resignation of Jean-Claude Lebel as Director, Chairman of the Board, President and Chief Executive Officer of SGF. Mr. Lebel gave the group the benefit of his abilities and leadership qualities for five years, playing a major role in the evolution, growth and development of Le Groupe SGF.

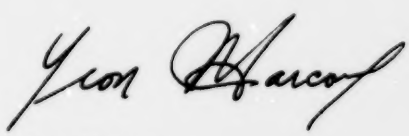
In January 1987, Jacques A. Lefebvre announced his resignation as Executive Vice-President of SGF and a member of the Board of Directors. Mr. Lefebvre contributed significantly to the Group's development over the last five years.

The Board of Directors and the management of SGF express sincere appreciation to Mr. Lebel and Mr. Lefebvre for their service to the company and wish them every success in their new endeavors.

In March 1987, Mr. Robert Tessier joined SGF as Executive Vice-President and was appointed to the Board of Directors.

The Directors would also like to thank the personnel of SGF and of the Group's member companies for the quality of their contributions to the growth of each company.

On behalf of the Board,



Yvon Marcoux,
Chairman of the Board and Chief
Executive Officer.

Montréal, April 3, 1987.

Aluminum

The major event of 1986 was the completion of Bécancour smelter, a world-scale facility for production of primary aluminum.

This achievement was made possible by a combination of Québec construction know-how, Pechiney technology, and the active contributions of three major partners. Bécancour is owned 24.95% by SGF through its wholly-owned subsidiary Albecour, 50.1% by Pechiney of France, and 24.95% by Alumax of the United States.

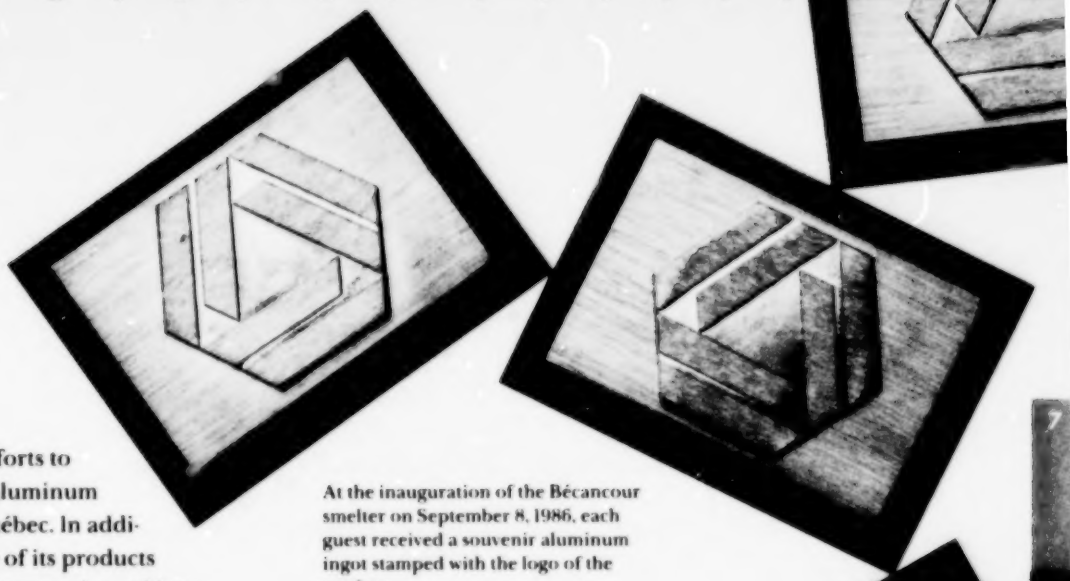
Bécancour, inaugurated on September 8, 1986, is a source of justifiable pride for its owners and for Québec workers. Construction costs were carefully controlled and the total cost of $1.135 billion was $90 million less than the original estimate. The Québec content of the project as a whole is more than 70%.

The first electrolytic pot went into production on April 20, 1986, barely 24 months after construction began. The 480th and last pot was energized on February 13, 1987, bringing the smelter to its rated annual capacity of 230,000 metric tonnes.

On January 25, 1986, the first shipload of refined alumina from Western Australia arrived at the Bécancour wharf. Albecour procures its share of alumina – the main raw material for aluminum production – through a supply agreement negotiated on excellent terms in 1985.

Albecour's marketing operations during this start-up year were also a source of satisfaction, with some 13,000 tonnes of aluminum sold to a variety of customers. Despite a cyclical world market and inherent limitations of the product line due to start-up of the smelter's ingot casting facility, Albecour realized earnings of $6.4 million on sales of $21.7 million. The company's strategies for penetration of the North American and European markets produced good results, supported by the sustained efforts of sales representatives and by the quality of its products.

The 1987 outlook for the international aluminum industry is brighter than for the last three or four years. The metal is in steady demand by the construction, packaging, and transportation industries. Prices have been strengthened by an improved balance of supply and demand over the last 18 months.



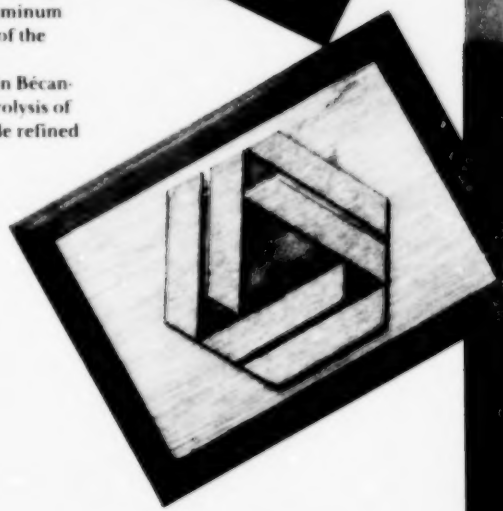
Future Development

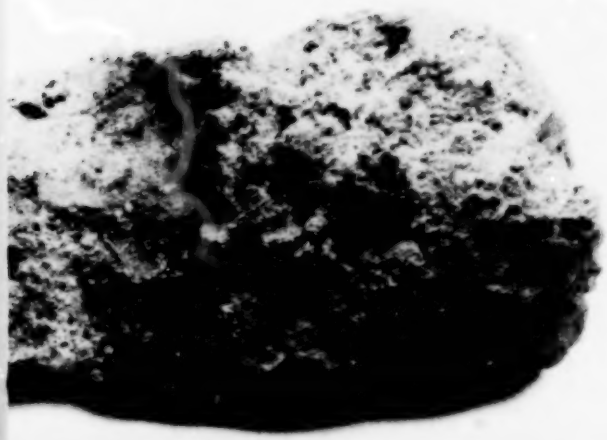
Albecour is pursuing efforts to develop the downstream aluminum fabricating industry in Québec. In addition to promoting the sale of its products on the local market, the company is working with prospective partners on a number of promising projects in aluminum fabricating. Three agreements in principle were signed during 1986 and feasibility studies are continuing.

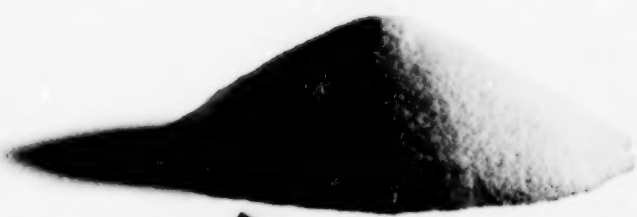
The possible construction of a third potline at Bécancour, planned during the construction of the first two lines, continues to receive close attention from SGF and its partners.

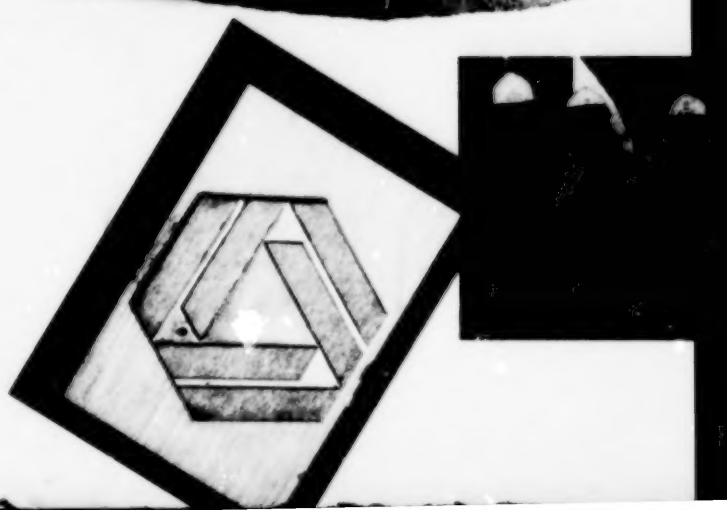
At the inauguration of the Bécancour smelter on September 8, 1986, each guest received a souvenir aluminum ingot stamped with the logo of the smelter.

The aluminum produced in Bécancour is obtained by the electrolysis of alumina, the pure white oxide refined from Australian bauxite.









Petrochemicals

In view of the importance for Québec of Montréal's development as a world-scale petrochemical centre, SGF has assumed a significant presence in this industry since 1980 through its wholly-owned subsidiary Éthylec Inc. Éthylec is an equal partner with Union Carbide Canada Limited in three downstream companies: Pétromont, société en commandite; Alcools de Commerce Enrg.; and Pipeline Shawinigan Enrg. SGF further intends, in association with partners, to establish new plants using ethylene as feedstock.

Pétromont operates an olefin plant at Varennes with a rated annual capacity of 450 million pounds of ethylene. This facility also produces a number of important byproducts, including propylene, butenes, butadiene, and aromatic compounds. In addition, Pétromont operates a polyethylene plant leased from Union Carbide Canada, producing some 100,000 tonnes annually of high-pressure/low-density products.

Alcools de Commerce operates a plant at Varennes with a capacity of 40 million litres of ethyl alcohol. The raw material, ethylene, is supplied by Pétromont facilities.

Pipeline Shawinigan operates a pipeline system linking the Montréal and Varennes facilities.

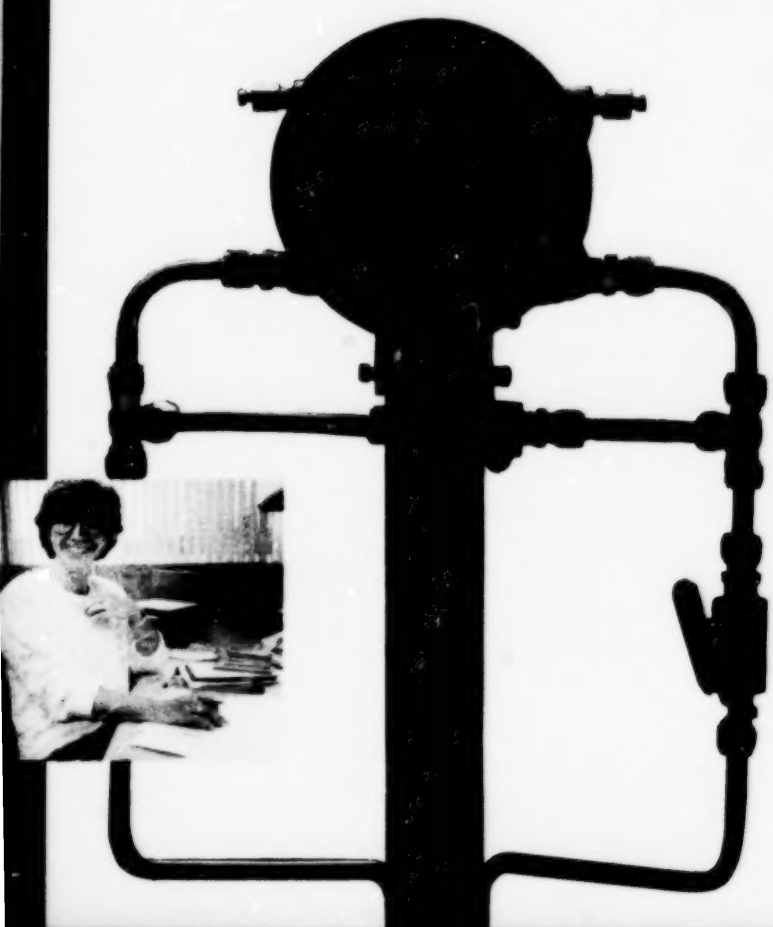
Rationalization Plan

In October 1984, to ensure the survival of the Montréal petrochemical industry, SGF entered into an agreement with Union Carbide, Pétromont, and the gouvernement du Québec. This agreement allows continued operation of the Pétromont olefin plant at Varennes and the Union Carbide polyethylene plant at Montréal-Est with the financial support of the gouvernement du Québec.

In June 1986, Pétromont signed a new agreement with the Canadian government for $55.8 million in federal financial assistance to support the rationalization and modernization of Pétromont operations and the improvement of its productivity. A major program to ensure Pétromont's profitability was subsequently launched and this program is now well on the way to completion.

At Varennes, a net amount of $12.6 million was invested in two 20,000 h.p. electric motors to replace steam turbines. This equipment entered service in November 1986 and has resulted in substantial savings. A computerized process control system was also installed at Varennes at a cost of $3.6 million. A further project with an estimated cost of some $20 million is presently underway to provide, among other objectives, complete flexibility of feedstock for the Varennes facilities.

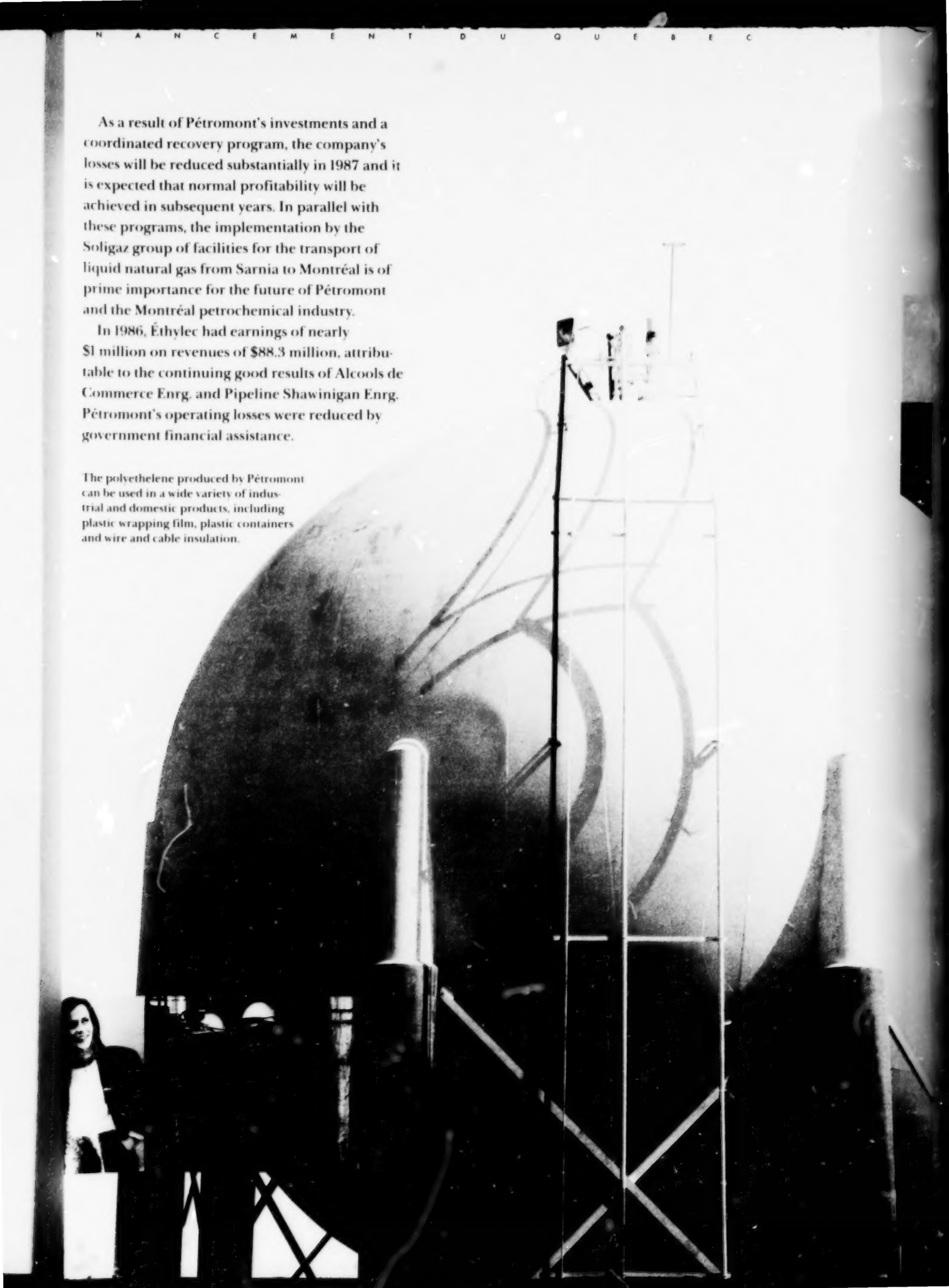
In November 1986, Pétromont closed the cracking towers of the Montréal-Est olefin plant and consolidated all production at Varennes, enabling the Varennes plant to operate at full capacity. In addition, an investment of approximately $3.7 million was made to install facilities for transporting Montréal-Est refinery gases to Varennes, resulting in significant economies at Varennes and the diversification of its sources of raw materials.



As a result of Pétromont's investments and a coordinated recovery program, the company's losses will be reduced substantially in 1987 and it is expected that normal profitability will be achieved in subsequent years. In parallel with these programs, the implementation by the Soligaz group of facilities for the transport of liquid natural gas from Sarnia to Montréal is of prime importance for the future of Pétromont and the Montréal petrochemical industry.

In 1986, Éthylec had earnings of nearly $1 million on revenues of $88.3 million, attributable to the continuing good results of Alcools de Commerce Enrg. and Pipeline Shawinigan Enrg. Pétromont's operating losses were reduced by government financial assistance.

The polyethelene produced by Pétromont can be used in a wide variety of industrial and domestic products, including plastic wrapping film, plastic containers and wire and cable insulation.



Dofor Inc.

Dofor Inc. was established by Le Groupe SGF in 1982 to hold its investments in Donohue Inc. and Domtar Inc. The company's voting shares are held 9.3% by the public and 90.7% by SGF.

At December 31, 1986, Dofor held approximately 55% of the voting shares of Donohue and 28% of the voting shares of Domtar.

Dofor had net earnings of $52.6 million or $1.67 per Class A and Class B share in 1986 compared to $33.8 million or $1.17 per share in 1985. This performance is attributable to favorable conditions in the newsprint, fine papers and construction materials markets.

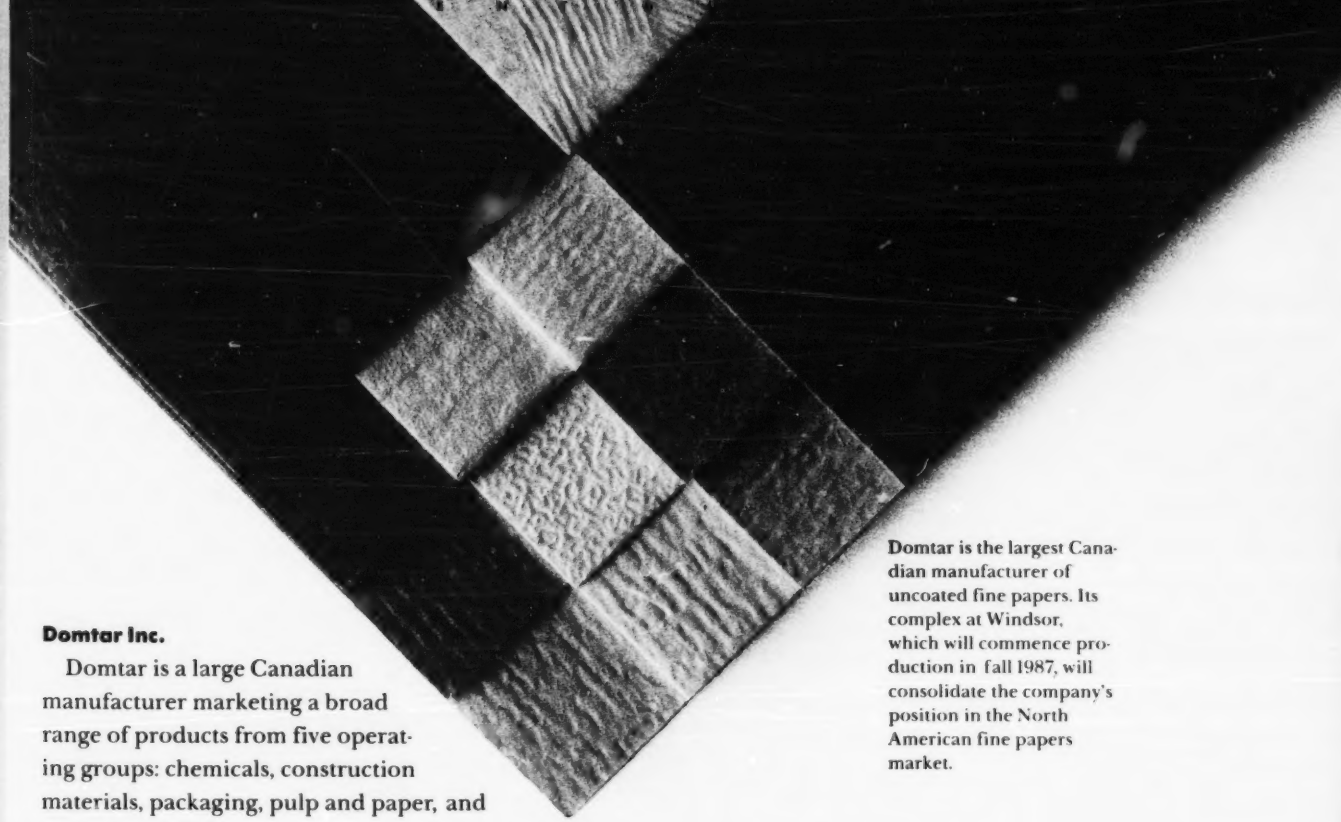
Donohue Inc.

Donohue is a large, fully integrated Canadian producer operating primarily in Québec. The company manufactures and sells newsprint, market pulp, and lumber. Its operations in Québec include newsprint mills at Clermont and Amos, a pulp mill at St-Félicien, and four sawmills in the Lac St-Jean area.

Donohue's consolidated net sales reached a record $475.6 million in 1986, compared to $425 million in 1985. Net earnings were $24.5 million or $1.58 per common share compared to $20.7 million or $1.54 per share in 1985. This performance is attributable to increased shipments of all products and to stronger prices, especially for market pulp. The relative weakness of the Canadian dollar against European currencies contributed to improving the company's competitive position.

The St-Félicien market pulp mill, the Amos newsprint mill and the company's four sawmills attained record production levels in 1986. However, in the fourth quarter, the Clermont newsprint mill operated at lower efficiency, which resulted in higher production costs and a negative impact on earnings for the quarter.

Construction of a new newsprint machine at the Clermont mill of Donohue Malbaie Inc. is proceeding on schedule and within budget. This machine is scheduled to enter service in the fourth quarter of 1987.



Domtar is the largest Canadian manufacturer of uncoated fine papers. Its complex at Windsor, which will commence production in fall 1987, will consolidate the company's position in the North American fine papers market.

Domtar Inc.

Domtar is a large Canadian manufacturer marketing a broad range of products from five operating groups: chemicals, construction materials, packaging, pulp and paper, and oil and natural gas.

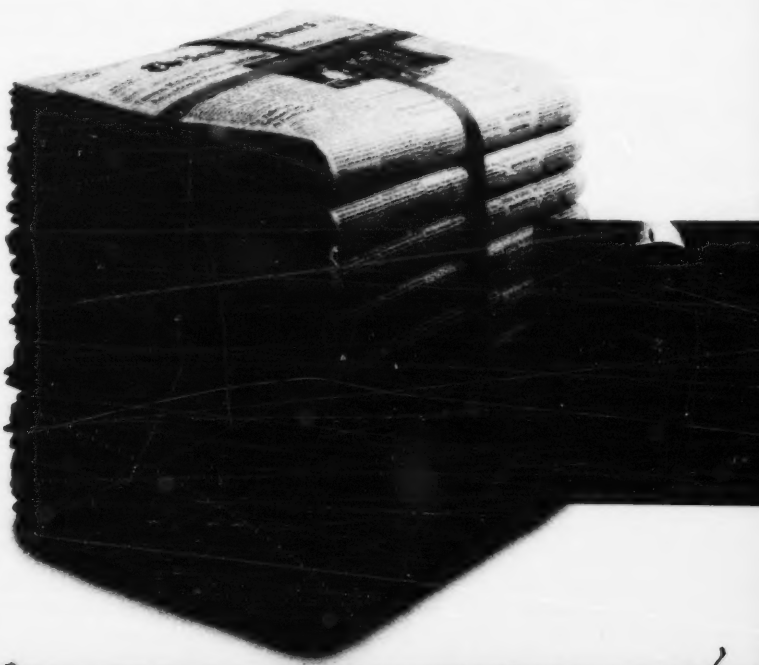
Domtar is the leading Canadian producer of uncoated fine papers, with a market share of approximately 30%, and also produces newsprint, groundwood specialty papers, pulp, and lumber. Its mills at Beauharnois, Windsor, Dolbeau, Donnacona, and Lebel-sur-Quévillon, together with two sawmills, make it one of Québec's leading forest product companies.

Domtar operates corrugated container, containerboard, composite can and waste paper recycling plants in Canada. The company also produces a wide variety of construction materials and other products, including salt, specialty chemicals, coal tar products, natural gas, and oil.

In April 1985, Domtar began restructuring a world-scale fine papers complex at Windsor, Québec, at an estimated cost of $882 million. The new facility will commence production at the end of 1987. In parallel with this project, Domtar is pursuing the rationalization and modernization of its pulp and paper mills, especially the Donnacona and Dolbeau mills.

Domtar reported a $34.6 million improvement in net earnings for the year, from $110.4 million in 1985 to $145 million in 1986. Net earnings per share were $3.20 compared to $2.70 in 1985, an increase of 19%.

On February 27, 1987, Domtar completed the purchase, from Imasco Limited of Montréal for an amount of $241 million US, of the gypsum manufacturing facilities of Genstar Corporation.



Shipbuilding and Energy-Related Equipment

Though SGF's interests in the energy-related equipment industry are now less extensive than in the past, the company retains a 65% interest in Marine Industrie Limitée, a large manufacturer of diversified industrial products. SGF's interest in Cegelec Industrie Inc., formerly 50%, was reduced to 10% at the end of 1986. Cegelec is a manufacturer of medium- and high-voltage electrical equipment.

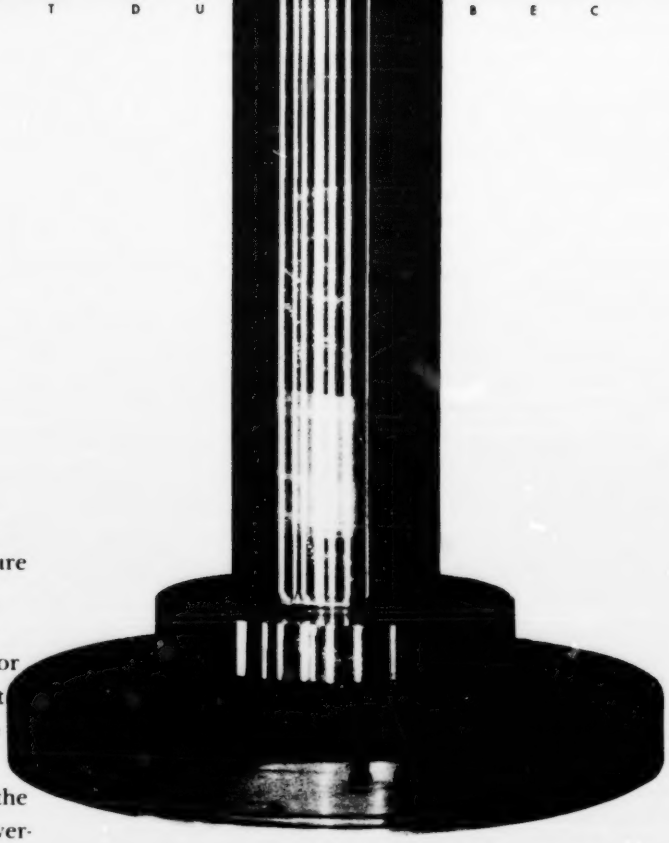
Marine Industrie Limitée

Marine operates a number of plants in Québec and has its main works at Sorel. The company has four divisions: Hydroelectric, Industrial, Shipbuilding, and Offshore Construction.

Marine had earnings of $1.5 million on sales of $153.1 million in 1986. These results are an improvement over 1985, when the company experienced a long strike and recorded a loss of $5.6 million on sales of $113.8 million.

Despite the increase in sales, Marine continues to be affected by widespread weakness in the markets for its traditional operations. Faced with especially unfavorable conditions in the railcar market, the company withdrew permanently from these operations in 1986.

The Hydroelectric Division continued its construction of turbines and alternators for various sites in Québec, India, and Kenya. This division obtained an order for the supply of four alternator/motors for the Russell Dam hydroelectric project in the United States. The Marine Erectors group completed equipment installation at LG-4 in Québec's James Bay development. The division also completed fabrication of a Tokamak research prototype in conjunction with the Institut de recherche en électricité du Québec (IREQ).

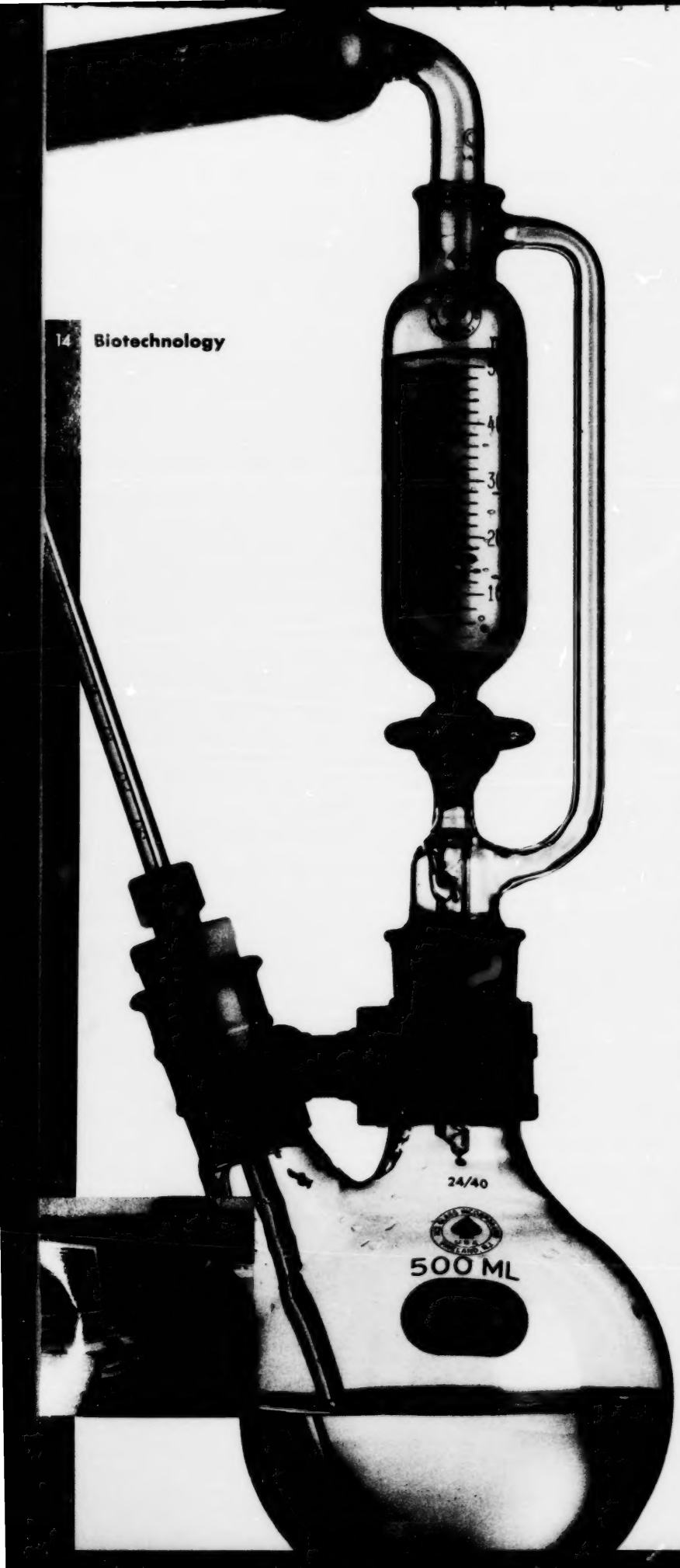


The Industrial Division, in concert with Marine Erectors, completed the first phase of fabrication and installation of the steel structure for the mast of Montréal's Olympic Stadium.

During the year, the Shipbuilding Division pursued the construction of two icebreakers for th adian Coast Guard, delivering the first vesse, the Edward Cornwallis, in August. Also during the year, the Department of National Defence took delivery of the third and last of the helicopter-carrying destroyers whose major overhaul was contracted to Marine. The division began preparations for the construction of frigates for the Department of National Defence.

The highlight of 1986 nevertheless remains the agreement between Marine and Versatile Corporation for acquisition of the latter's Eastern Canadian facilities. The assets acquired are the Davie shipyard at Lauzon, the Vickers ship repair and industrial construction facilities at Montréal, and Systems Engineering, a naval systems design and engineering company with operations in Montréal, Ottawa, and Halifax. This transaction was completed on January 30, 1987.

Marine Industrie is the largest shipbuilding company in Canada today. The Canadian Coast Guard recently took delivery of a new icebreaker built by Marine, the Sir William Alexander.



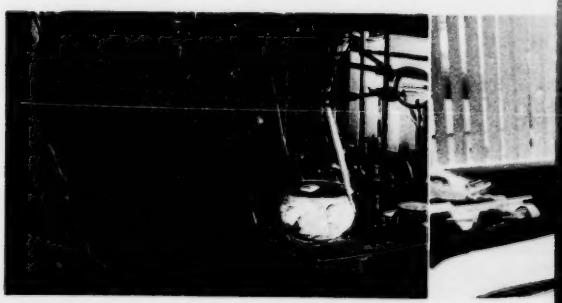
In 1982, prompted by the emergence in Québec of a growing pool of highly qualified scientists and technological innovators in an industry of strong growth potential, SGF identified the health sciences as a development priority and established Bio-Méga Inc. Bio-Méga is a wholly-owned SGF subsidiary engaged in research, pharmaceutical production, and diagnostic applications of biotechnology. Bio-Méga Diagnostic Inc., a wholly-owned subsidiary of Bio-Méga Inc., is a manufacturer and marketer of immunodiagnostic kits.

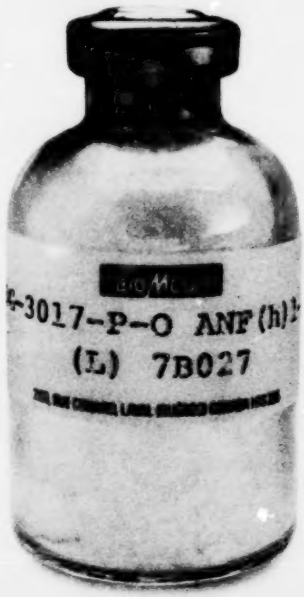
Bio-Méga Inc.

The expertise of Bio-Méga scientists in fine chemistry, pharmacology, microbiology, and diagnostic technologies has made the company a leader in health science and biotechnology. Following the inauguration in 1985 of an ultramodern 60,000-square-foot laboratory at Laval, the past year was a crucial period in the company's development. A five-year plan was established, operations and staffing were streamlined, and high-potential research projects were initiated.

Bio-Méga's current focus is on the following projects. Each of them combines the company's expertise in peptides with the resources of world-class Québec research institutions:

- In conjunction with the Clinical Research Institute of Montréal, development of an analogue of ANF (Atrial Natriuretic Factor), a hormone produced by the cardiac muscle that acts as a natural regulator of blood pressure. The economical synthesis of ANF analogues and the development of greater stability in the synthetic product could lead, in the medium term, to commercial production of effective medication for the treatment of hypertension and some types of cardiac insufficiency.





The synthetic production of ANF, a hormone produced by the cardiac muscle, will in the medium term, enable Bio-Méga to begin commercial production of effective medication for the treatment of hypertension and certain types of cardiac insufficiency.

- Improvement of the process for economical synthesis of the Growth Hormone Releasing Factor (GRH), in collaboration with a team of scientists at the Hôpital Notre-Dame research centre in Montréal and Agriculture Canada. Among other commercial applications, this peptide would serve to increase dairy and pork production.
- Antiviral peptides open new avenues in the treatment of certain illnesses. Bio-Méga, in conjunction with researchers of the Hôpital Notre-Dame research centre and the Montréal Cancer Institute, is working to develop a nonapeptide that will be effective against herpes simplex I and II viruses.

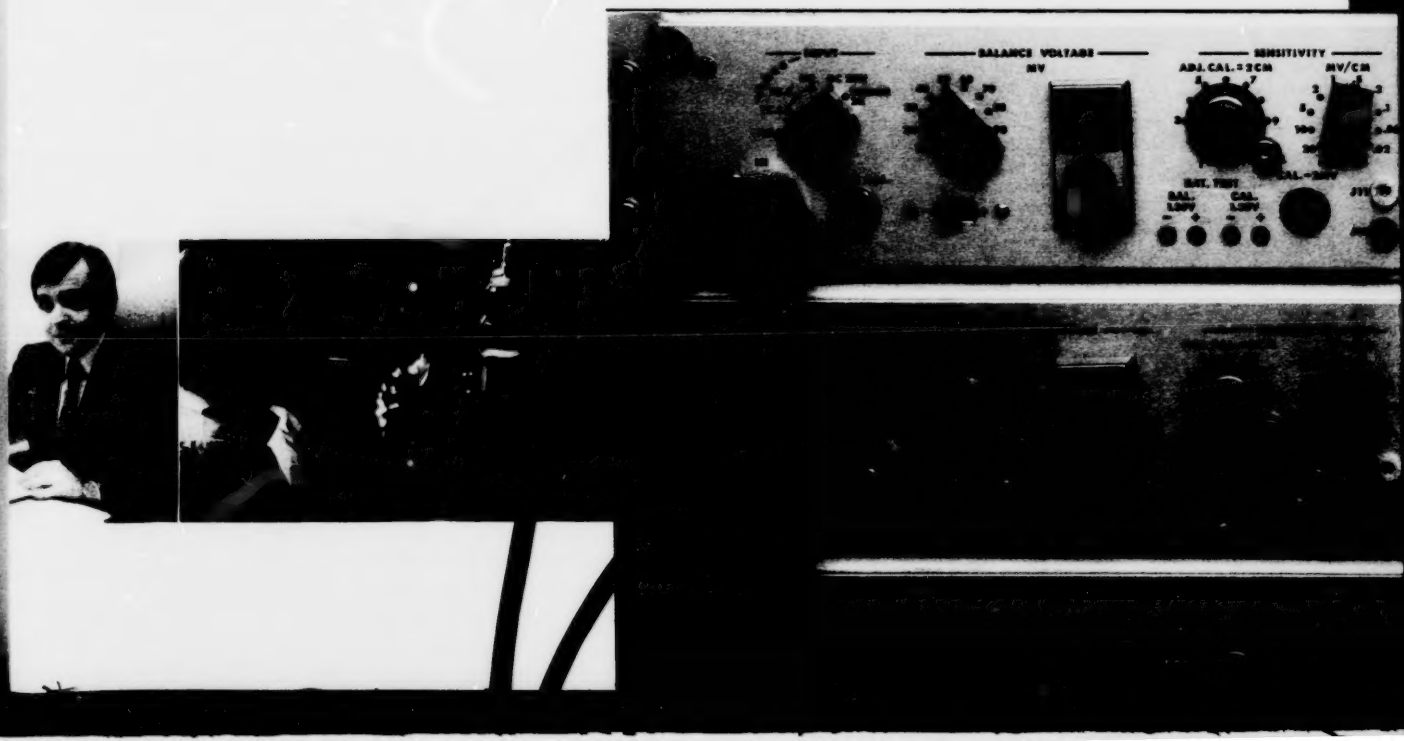
Bio-Méga Diagnostic Inc.

Bio-Méga Diagnostic is a fully integrated company whose operations range from research to the marketing of its products across Canada. The company manufactures a highly diversified range of endocrinological and microbiological products. The resources of Bio-Méga Diagnostic – which include fully automated manufacturing processes approved by the U.S. Food and Drug Administration, an ultramodern laboratory, and advanced technologies (Solid Phase and Non-Isotopic Immunoassays) – support an outlook of strong Canadian sales growth in the short term and penetration of export markets in the medium term.

Bio-Méga Diagnostic also plans to extend its operations to oncology and immunohematology.

Bio-Méga, as a start-up company which is in the phase of consolidating its operations, must invest a large part of its budget in research and development at a time when its revenues are still limited. In 1986, Bio-Méga recorded consolidated revenues of $1.7 million and a net loss of $4 million.

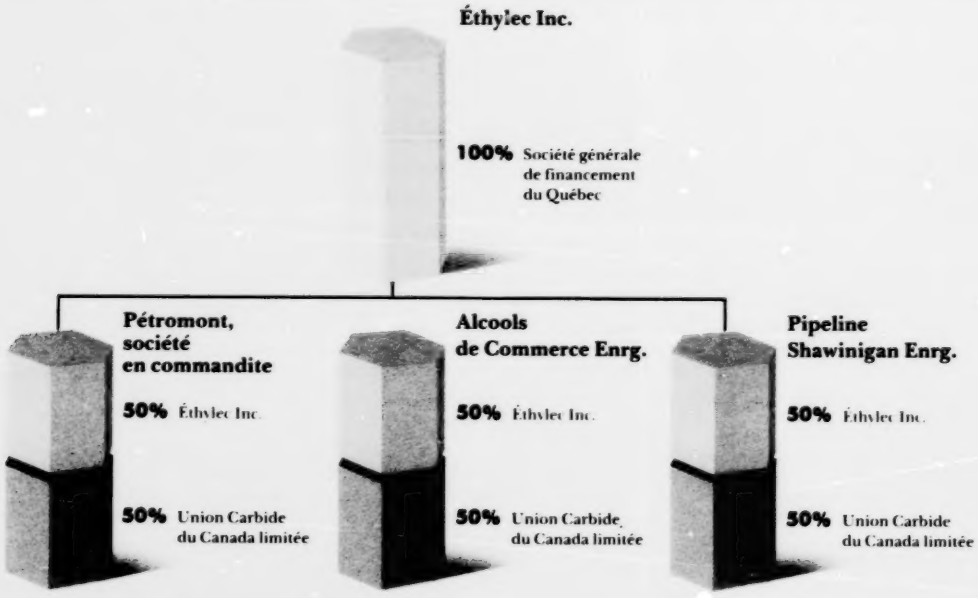
SGF's investment in Bio-Méga is a long-term commitment in a leading-edge industry where Québec enjoys numerous advantages. SGF is currently studying the possibility of pursuing its development in association with private partners.



Aluminum

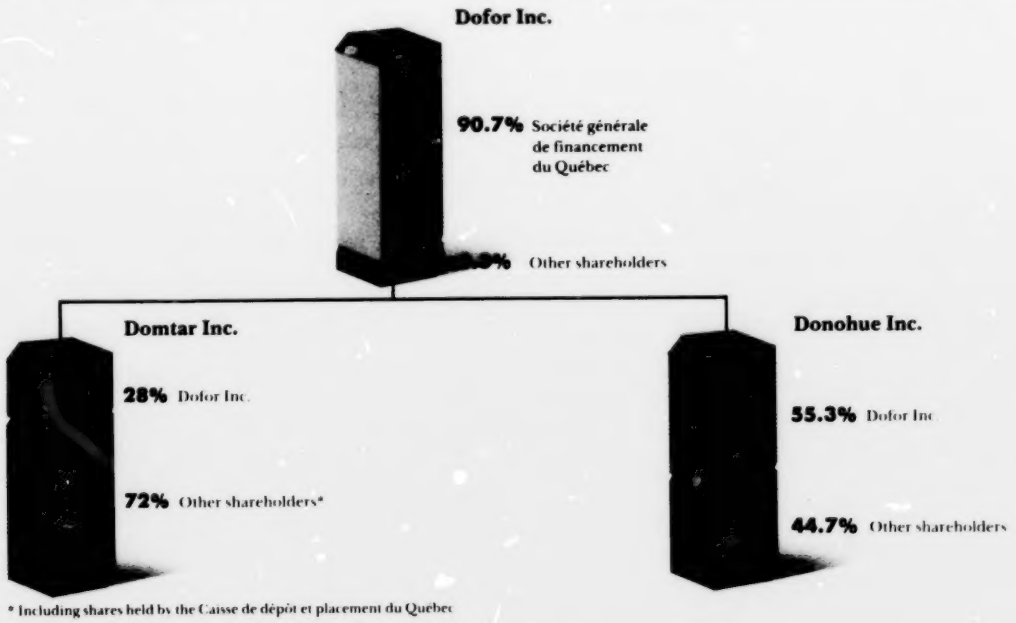
Albecour, société en commandite
100% Société générale de financement du Québec
Aluminerie de Bécancour Inc.
24.95% Albecour, société en commandite
24.95% Alumax Québec Inc.
50.1% Pechiney Québec Inc.

Petrochemicals


Éthylec Inc.
100% Société générale de financement du Québec
Pétromont, société en commandite
50% Éthylec Inc.
50% Union Carbide du Canada limitée
Alcools de Commerce Enrg.
50% Éthylec Inc.
50% Union Carbide du Canada limitée
Pipeline Shawinigan Enrg.
50% Éthylec Inc.
50% Union Carbide du Canada limitée

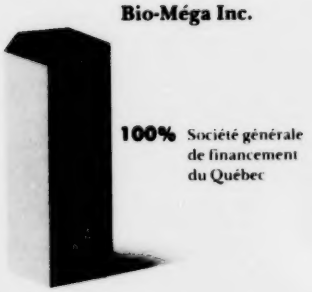
Shipbuilding and Energy-Related Equipment

Forest Products



* Including shares held by the Caisse de dépôt et placement du Québec

Biotechnology



Note: SGF holds the following interests:

98.5% of Industries Tanguay Inc.;
15.7% of Investissements Novacap Inc.;
10% of Cegelec Industrie Inc.;
8.4% of Nouveler Inc.;
7% of Cegelec Entreprises Inc.;
5% of Sogex International Inc.

Officers' Report

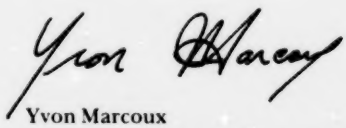
To the Shareholder
of Société générale de financement du Québec

In the course of its activities, the board of directors of the Société générale de financement du Québec has delegated to its officers the preparation of its consolidated financial statements.

These consolidated financial statements have been audited by an independent firm of auditors, Samson Bélair, before their presentation to the board of directors who approved them upon recommendation of the duly constituted and appointed audit Committee.

The management believes that these statements have been prepared in accordance with generally accepted accounting principles. They take into consideration, within reasonable limits, all significant accounting policies referred to in the notes to consolidated financial statements.

The information contained in this financial report complies with the consolidated financial statements included herein.



Yvon Marcoux
President and Chief Executive Officer

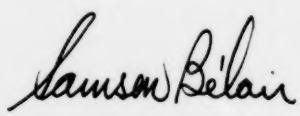
Montréal, April 3, 1987

Auditors' Report

To the Shareholder
of Société générale de financement du Québec

We have examined the consolidated balance sheet of Société générale de financement du Québec as at December 31, 1986 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Société générale de financement du Québec as at December 31, 1986, the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Montréal, February 19, 1987

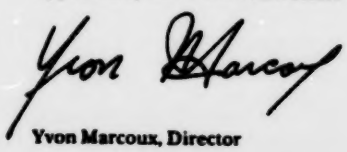
Consolidated Balance Sheet

as at December 31
(in thousands of dollars)

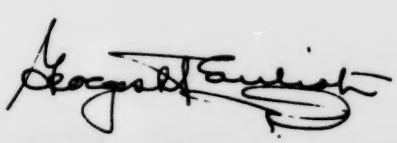
	1986	1985
Current Assets		
Cash and short-term deposits	$ 12,683	$ 124,610
Accounts receivable	73,270	139,918
Subscription receivable		17,335
Contracts in progress and inventories (note 2)	40,665	89,346
Prepaid expenses	4,409	1,744
	131,027	372,953
Long-Term Assets		
Holdbacks receivable	4,189	2,716
Investments (note 3)	345,471	262,779
Construction work in progress	250,943	190,789
Fixed assets less accumulated depreciation of $68,831,000 ($249,842,000 in 1985)	91,756	511,055
Start-up costs less accumulated amortization of $2,273,000	27,534	3,318
Consolidated goodwill	840	919
Deferred unrealized exchange losses	548	42,490
Tax benefit recoverable	511	11,983
Deferred income taxes	643	
	722,435	1,026,049
	$853,462	$1,399,002

	1986	1985
Current Liabilities		
Bank loans (note 4)	$ 52,505	$ 49,536
Accounts payable	60,268	124,475
Income taxes		4,812
Current portion of long-term debt	2,105	26,871
	114,878	205,694
Long-Term Liabilities		
Long-term debt (note 5)	234,541	451,015
Progress billings and deferred income	15,617	18,062
Deferred income taxes		55,143
Minority interest	10,056	267,800
	260,214	792,020
Shareholder's Equity		
Capital stock (note 6)	347,500	315,500
Contributed surplus	2,510	2,510
Retained earnings	128,360	83,278
	478,370	401,288
	$853,462	$1,399,002

Approved by the Board of Directors



Yvon Marcoux, Director



Georges Pouliot, Director

Consolidated Statement of Earnings

year ended December 31
(in thousands of dollars)

	1986	1985
Revenue From Operations	**$315,639**	$699,139
Earnings Before The Following Items	**$ 18,003**	$110,199
Less		
Depreciation of fixed assets	**11,450**	37,618
Amortization of deferred exchange losses		3,591
Amortization of start-up costs	**2,273**	
Other amortization	**79**	418
Interest and expenses on long-term debt	**3,370**	38,552
Interest and expenses on short-term debt	**4,481**	4,784
	21,653	84,963
Add		
Income from investments	**3,496**	11,905
Share in net earnings of a non-consolidated subsidiary and affiliated companies	**40,031**	25,302
	43,527	37,207
Earnings Before Income Taxes, Extraordinary Items and Minority Interest	**39,877**	62,443
Income taxes	**73**	(19,295)
Earnings Before Extraordinary Items and Minority Interest	**39,950**	43,148
Extraordinary items (note 7)	**3,288**	6,806
Earnings Before Minority Interest	**43,238**	49,954
Minority interest	**(581)**	(23,163)
Net Earnings For The Year	**$ 42,657**	$ 26,791

Consolidated Statement of Retained Earnings

year ended December 31
(in thousands of dollars)

	1986	1985
Retained Earnings, beginning of year		
As previously reported	**$ 83,278**	$ 59,919
Share in adjustments of the retained earnings of a non-consolidated subsidiary	**2,413**	
As restated	**85,691**	59,919
Net earnings for the year	**42,657**	26,791
Share in expenses related to the issue of shares by a subsidiary		(3,246)
Share in foreign currencies translation adjustments of a non-consolidated company	**12**	(186)
Retained Earnings, end of year	**$128,360**	$ 83,278

Consolidated Changes in Financial Position

Year ended December 31
(in thousands of dollars)

	1986	1985
Operating Activities		
Cash provided by operating activities before extraordinary items (note 8)	**$ 13,368**	$ 60,579
Increase in holdbacks receivable	**(1,473)**	(1,754)
Dividends from non-consolidated companies	**1,171**	9,132
Share in savings related to tax reductions	**2,389**	324
Costs related to discontinued operations of a subsidiary	**(799)**	
Settlement of a claim		1,080
Cash used by changes in other elements in working capital (note 9)	**(33,831)**	(20,425)
	(19,175)	48,936
Financing Activities		
Issue of common shares	**32,000**	45,600
Subscription of common shares		17,335
Net increase in long-term debt	**81,372**	67,338
Increase (decrease) in progress billings and deferred income	**(2,445)**	4,653
Increase (decrease) in minority interest	**(587)**	45,101
Share in premium paid on redemption of a subsidiary's preferred shares		(1,887)
Share in expenses related to the issue of shares by a subsidiary		(3,246)
	110,340	174,894
Investment Activities		
Net increase in investments	**(20,000)**	(14,090)
Construction work in progress	**(79,514)**	(96,546)
Start-up costs	**(26,489)**	(3,318)
Net acquisition of fixed assets	**(6,847)**	(121,270)
Disposal of investments	**413**	2,157
Disposal of a subsidiary (net of cash)	**9,251**	
Cash provided by a subsidiary excluded from the consolidation in 1986	**(82,875)**	
Tax benefit related to the acquisition of a company by a subsidiary		(2,550)
	(206,061)	(235,617)
Decrease in Cash	**(114,896)**	(11,787)
Cash Position, beginning of year	**75,074**	86,861
Cash Position, end of year	**$(39,822)**	$ 75,074

Cash position represents cash and short-term deposits less bank loans.

1. Summary of Significant Accounting Policies

a) Principles of consolidation

Companies included in the consolidation, with respective percentages of ownership, are as follows:

	1986	% of ownership	1985
Dofor Inc. and its subsidiary (I)			90.7
Marine Industrie Limitée and its subsidiary	**65.0**		65.0
Éthylec Inc. (II)	**100.0**		100.0
Cegelec Industrie Inc. and its subsidiary (III)			50.0
Industries Tanguay Inc.	**98.5**		99.5
Bio-Méga Inc. and its subsidiary	**100.0**		100.0
Société générale d'aluminerie Inc. (IV)	**100.0**		100.0
Société québécoise d'aluminium Inc. and its subsidiary	**100.0**		100.0

The operating results of subsidiaries and affiliated companies are included in the consolidated financial statements as of their respective date of acquisition and until their respective date of disposition, if applicable.

I) On October 14, 1986, SGF announced its intention to dispose of its investments in Donohue and Dofor. Consequently, Dofor and Donohue's financial statements are not consolidated with SGF's financial statements as at December 31, 1986, these investments are presented at equity value. Earnings for 1986 are included under the term "Share in net earnings of a non-consolidated subsidiary" in the statement of earnings.

However, figures for 1985 presented for comparison purposes include the accounts of Dofor and its subsidiary Donohue.

II) The accounts of this subsidiary represent the share of the company in Pétromont, société en commandite, Pétromont Inc., Alcools de Commerce Enrg. and Pipeline Shawinigan Enrg. whose accounts are consolidated using the proportionate consolidation method.

III) SGF reduced it's ownership to 10% in December 1986.

IV) The accounts of this subsidiary represent its share in the Project of the Bécancour Aluminum Smelter, through Albecour, société en commandite.

b) Investments

Investments in other companies, in which SGF holds a significant number of shares allowing it to exercise influence over management, are accounted for on the equity method. All other investments are recorded at cost.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Fixed assets, construction work in progress and depreciation

Fixed assets are recorded at historical cost, less all related grants, if any. Construction work in progress includes interest on loans and all other indirect costs incurred during the construction period. Almost all depreciation is computed using the straight-line method based on the estimated useful life of the asset.

e) Consolidated goodwill

Goodwill is amortized on a straight-line basis over a period of twenty years.

f) Income taxes and deferred income taxes

Earnings of SGF and of its wholly-owned subsidiaries are not subject to income taxes. Companies subject to income taxes use the deferred income tax method of accounting.

g) Start-up costs

Start-up costs are valued at cost and include all expenses related to the operation of the aluminum smelter. In 1986, they include administrative and financial expenses as well as any expense which exceeds operating costs established on standard operating capacity.

h) Foreign currency transactions

Accounts in foreign currencies are translated into Canadian dollars under the temporal method, as follows:

- Monetary assets and liabilities are translated at exchange rates in effect at balance sheet date.
- Cost incurred for construction in progress are translated at exchange rates in effect at transaction dates.
- Long-term debt is translated at the rate prevailing at balance sheet date.
- The inventories, the sales and the expenses are translated at the rate in effect at transaction dates.

i) Deferred unrealized exchange losses

These losses represent unrealized foreign exchange losses pertaining to long-term debt of a subsidiary. These exchange losses are not amortized since there is assurance that sufficient future revenue streams of United States dollars will constitute an effective hedge against exchange risk on the long-term debt denominated in United States dollars.

2. Contracts in Progress and Inventories

	1986	(in thousands of dollars) 1985
Contracts in progress, at cost	$106,878	$121,661
Less		
Progress billings	105,516	139,842
	1,362	(18,181)
Inventories	39,303	107,527
	$ 40,665	$ 89,346

3. Investments

	1986 %	1986 $ (dollars in thousands)	1985 %	1985 $
Investments at equity				
SGF				
Dofor Inc.	90.7%	$293,529		$
Dofor Inc.				
Domtar Inc.			29.7%	250,115
J.E. Therrien Inc.			49.0%	5,765
		293,529		255,880
Investments, at cost				
Cegelec Industrie Inc.	10.0%	473		
Nouveler Inc.	8.4%	1,143	15.0%	1,143
Cegelec Entreprises Inc.	7.0%	174	7.0%	174
Investissements Novacap Inc.	15.7%	3,000	15.7%	3,000
Balance of sale price, due after 1987		1,066		1,422
Others		1,086		1,160
Subordinated debentures, 6%, payable from 1988 to 1997		25,000		
Subordinated notes, at a maximum rate of 8½% for the next five years, payable in 1998		20,000		
		51,942		6,899
		$345,471		$262,779

Following its intention to dispose of the investment of Dofor Inc. in Donohue Inc., a subsidiary owned at 55.3%, Donohue Inc. is not consolidated in 1986. However, there is a summary of principal elements from Donohue's financial statements for the year ended December 31, 1986.

Earnings	(in thousands of dollars)
Revenue from operations	$475,610
Earnings before minority interest	$ 42,780
Net earnings for the year	$ 24,473
Balance Sheet	
Current assets	$260,810
Investments	59,205
Construction work in progress	60,489
Fixed assets	405,625
Other assets	40,516
	$826,645
Current liabilities	$ 99,937
Long-term debts	337,184
Minority interest	77,221
Deferred income taxes	61,418
Shareholders' equity	250,885
	$826,645

4. Bank Loans

Certain bank loans are secured by the assignment of accounts receivable and inventories, the book value of which is approximately $55,531,000.

5. Long-Term Debt

	1986 (in thousands of dollars)	1985
SGF		
Notes payable to the shareholder, 10¼%, maturing from 1988 to 1992	**$ 15,000**	$ 15,000
Subsidiaries		
Long-term debt of a subsidiary excluded from the consolidation in 1986		319,963
First mortgage bonds, secured by a floating charge, payable in variable annual instalments, 11⅛%, maturing in 1991	**6,620**	7,660
Bank loans, at LIBOR plus ⅜%, guaranteed by the Province de Québec	**186,097**	95,119
Bank loans, at ¼ of 1% above prime rate, secured by mortgage bonds, maturing in 1996	**5,000**	5,440
Accounts payable to be financed by long-term debt and by issue of common shares in 1987	**16,884**	27,946
Notes payable, at various rates and maturity dates	**4,245**	5,496
Loan without interest, maturing in 2001	**2,800**	
Others		1,262
	236,646	477,886
Less: Current portion	**2,105**	26,871
	$234,541	$451,015

The long-term debt amounting to $236,646,000 includes $135,000,000 ($237,569,000 in 1985) in US currency.

Capital payments due within each of the next five years are as follows:

	$ CA	$ US
1987	2,105,000	
1988	5,028,000	6,750,000
1989	5,210,000	13,500,000
1990	5,407,000	13,500,000
1991	5,360,000	15,187,500

6. Capital Stock

Shares of SGF are owned by the gouvernement du Québec.

	1986 (in thousands of dollars)	1985
Authorized (shares with a par value of $10 each)		
41,500,000 common shares		
Issued and paid		
34,750,000 common shares (29,816,502 shares in 1985)	**$347,500**	$298,165
Subscribed		
1,733,498 common shares		17,335
	$347,500	$315,500

The gouvernement du Québec is authorized to subscribe and pay up to $150,000,000 for 15,000,000 common shares to be utilized by SGF for the construction and financing of an aluminum smelter in the Bécancour area. An amount of $32,000,000 for 3,200,000 common shares has been paid for this purpose in 1986, for a total participation of $82,500,000 for 8,250,000 common shares.

7. Extraordinary Items

	1986 (in thousands of dollars)	1985
Share in savings related to tax reductions originating from losses carried forward from prior years	$	$ 324
Tax benefits of a subsidiary	**2,389**	
Share of extraordinary items from a non-consolidated company	**2,249**	4,260
Gain resulting from the settlement of a claim		1,080
Gain on disposal of investments	**165**	2,130
Gain related to the issue of shares by a subsidiary		899
Loss on discontinued operations of a subsidiary	**(1,515)**	
Share in premium paid on redemption of a subsidiary's preferred shares		(1,887)
	$ 3,288	$ 6,806

Share of minority interest in the extraordinary items amounts to $306,000 in 1986 ($396,000 in 1985).

8. Cash Provided by Operations

	1986 (in thousands of dollars)	1985
Earnings for the year before extraordinary items	$ 39,369	$ 19,985
Items not affecting cash		
Depreciation of fixed assets	11,450	37,618
Amortization of start-up costs	2,273	
Amortization of deferred exchange losses		3,591
Other amortization	79	418
Gain on disposal of fixed assets	(29)	(342)
Deferred income taxes	(324)	1,448
Share in net earnings of a non-consolidated subsidiary and affiliated companies	(40,031)	(25,302)
Minority interest	581	23,163
	$ 13,368	$ 60,579

9. Changes in Elements in Working Capital

	1986 (in thousands of dollars)	1985
Increase in accounts receivable	$(9,498)	$(4,591)
Decrease (increase) in contracts in progress and inventories	(34,308)	1,141
Decrease (increase) in subscription receivable	17,335	(17,335)
Increase in prepaid expenses	(2,846)	(641)
Increase (decrease) in accounts payable	(4,514)	2,911
Decrease in income taxes		(1,910)
	$(33,831)	$(20,425)

10. Commitments

Bécancour Aluminum Smelter

In 1984, SGF, through Albecour, société en commandite, whose only special partner is Société générale d'aluminerie Inc., committed itself to participate in the construction of an aluminum smelter in Bécancour where it owns a 24.95% undivided interest. The other owners in the project are Pechiney Québec Inc. and Alumax Québec Inc. to the extent of 50.1% and 24.95%, respectively.

The total cost of the project, now estimated at $1.1 billion, will be the responsibility of each owner in proportion equal to its equity participation and, in the case of SGF, is financed through the proceeds of share subscriptions by its shareholder for a maximum amount of $150 million, and through a bank loan of an authorized amount of $160 million US. The bank loan is guaranteed by the Province de Québec until the completion date of the project after which the guaranty will be terminated insofar as certain financial tests are met.

Éthylec Inc.

Pétromont, société en commandite, affiliated with Éthylec Inc. could be obligated to reimburse from its future earnings from some of its plants all or part of the financial assistance of $50,000,000 received from the Canadian and Québec governments in 1983 and 1984.

Also, according to the terms of an agreement signed on January 18, 1985, the gouvernement du Québec has agreed to compensate Pétromont for losses incurred at its Varennes plant and at its polyethylene plant in Montréal-Est. The agreement will remain in force until September 9, 1988, except if previously terminated as provided for in the agreement.

Under an agreement dated August 20, 1986, Pétromont has been granted a financial contribution not exceeding $55,800,000 as reimbursement for its capital expenditures incurred for the modernization and conversion of its Varennes plant. For the year ended December 31, 1986, Pétromont recorded $20,275,986 under this agreement.

Donohue St-Félicien Inc.

According to the terms of an agreement signed in June 1977, SGF has committed itself to lend the required funds to Donohue St-Félicien Inc., for the payment of interest and capital of first mortgage bonds issued by the Company at a par value of US $100,000,000 and $35,000,000, if these funds were unavailable through other means. As at December 31, 1986, the balance of these bonds were US $68,750,000 and $24,063,000 and the debtor foresees the availability of sufficient funds for the yearly payment of capital and interest in July 1987.

The gouvernement du Québec guarantees this commitment by SGF.

Leases

The operating leases to which the companies are committed mature at various dates until 1997 and amount to $7,064,000.

11. Related Party Transactions

In the normal course of business, various companies of Le Groupe SGF have recorded sales to other corporations owned by the gouvernement du Québec. These transactions were concluded under normal commercial terms.

12. Comparative Figures

For comparison with 1986, certain 1985 figures have been combined and reclassified.

13. Subsequent Events

a) On January 30, 1987, Marine Industrie Limitée acquired 100% of issued shares of Versatile Davie Inc., Versatile Vickers Inc. and Versatile Systems Engineering Inc.

   This acquisition was mainly financed through long-term debt and will have the effect of substantially increasing the activities of the Company.

b) On February 18, 1987, Dofor Inc. accepted an offer for the purchase, on July 31, 1987 at the latest, of its investment in shares of its subsidiary, Donohue Inc. The investment in shares will be sold for a cash amount of $320,000,000.

Summary of Earnings and Investments

year ended December 31
(in thousands of dollars)

Investments in capital stock (at cost)			Sales	
$	%		1986	1985
$		Dofor Inc. and its subsidiary	$	$424,971
21,668	65.0	Marine Industrie Ltée and its subsidiary	153,168	113,812
2,820(c)	94.0			
1,060(d)	10.0	Cegelec Industrie Inc. and its subsidiary	32,652	40,727
34,050	100.0	Éthylec Inc.* and its subsidiaries	88,359	97,235
82,500	100.0	Albecour, société en commandite*	21,788	
12,400	100.0	Bio-Méga Inc.* and its subsidiary	1,754	1,301
3,789	98.5	Industries Tanguay Inc.	19,514	21,093
158,287			317,235	699,139
		Investments at equity value:		
244,236	90.7	Dofor Inc.**		
1,425	8.4	Nouveler Inc.** and its subsidiaries		
245,661				
		SGF*, elimination of transactions between affiliated companies	(1,596)	
403,948			315,639	699,139
		Earnings on sale of investments and others		
		Redemption premium on preferred shares		
$ 403,948		Total	$315,639	$699,139

Notes :

(a) Before minority interest.

(b) After deducting dividends received from subsidiaries and affiliated companies of $3,372,000 in 1986 ($955,000 in 1985).

(c) Preferred shares.

(d) SGF's investment was reduced to 10% as of December 31, 1986.

*Tax-exempt corporation.

**SGF's share of the earnings.

Net earnings (loss)		SGF's share	
1986	1985	**1986**	1985
$	$ 53,359 (a)	**$**	$ 28,442
1,536	(5,388)(a)	**862**	(3,771)
102	186	**51**	93
958	3,223	**958**	3,223
6,411		**6,411**	
(4,006)(a)	(2,400)	**(4,059)**	(2,400)
(780)	610	**(780)**	610
4,221	49,590	**3,443**	26,197
42,280		**42,280**	
	27		27
42,280	27	**42,280**	27
(3,428)(b)	(1,885)(b)	**(3,231)**	(1,655)
43,073	47,732	**42,492**	24,569
165	4,109	**165**	4,109
	(1,887)		(1,887)
$ 43,238	$ 49,954	**$ 42,657**	$ 26,791

Ten-Year Statistical Review

year ended December 31
(in thousands of dollars)

	1986	1985	19
Operations			
Revenue from operations	**$315,639**	$699,139	$779,2
Depreciation of fixed assets	**11,450**	37,618	37,6
Interest	**7,851**	43,336	47,5
Income from investments	**3,496**	11,905	15,7
Income taxes	**(73)**	19,295	18,0
Earnings (loss) before minority interest	**43,238**	49,954	53,0
Minority interest	**581**	23,163	33,9
Net earnings (loss)	**42,657**	26,791	19,1
Capital expenditures	**86,361**	217,816	85,0
Balance sheet			
Working capital	**16,149**	167,259	151,1
Investments	**345,471**	262,779	228,8
Fixed assets			
at cost	**411,530**	951,686	748,9
net	**342,699**	701,844	533,1
Long-term debt	**234,541**	451,015	359,7
Deferred income taxes	**(643)**	55,143	56,2
Minority interest	**10,056**	267,800	200,2
Shareholder's equity	**$478,370**	$401,288	$314,9

1983	1982	1981	1980	1979	1978	1977
$852,892	$829,770	$801,132	$808,381	$578,830	$316,921	$347,206
36,855	27,407	24,396	21,007	19,639	8,468	6,723
40,780	47,329	45,396	31,995	28,431	5,186	4,616
11,148	14,805	17,525	9,235	6,511	3,582	1,670
3,017	16,078	33,994	32,955	16,081	8,787	4,703
20,451	14,497	48,274	50,656	25,701	(8,504)	168
15,130	24,906	27,963	28,086	16,208	5,863	4,196
5,321	(10,409)	20,311	22,570	9,493	(14,367)	(4,028)
45,065	89,635	127,097	94,115	19,944	88,360	77,914
163,589	140,580	194,332	161,857	131,849	73,460	56,983
166,743	157,087	166,942	23,073	29,660	30,813	84,339
699,655	660,522	574,672	446,622	354,452	334,022	242,068
496,577	491,339	431,848	328,843	255,813	253,962	174,077
351,960	308,145	420,402	212,834	210,437	191,630	146,873
47,854	50,696	51,737	35,395	16,855	10,563	10,627
179,520	202,794	143,833	120,049	87,222	66,845	66,091
$270,222	$235,817	$188,226	$151,783	$104,623	$ 95,117	$ 99,707

Synoptic Table

	Albecour, société en commandite		Éthyloc Inc. (and its subsidiaries)		Dofor Inc.*		Donohue Inc. (and its subsidiaries)	
	Sales	Net earnings for the year	Sales	Net earnings (loss) for the year	Sales	Net earnings (loss) for the year	Sales	Net earnings for the year
Summary of Results (in thousands of dollars)	$	$	$	$	$	$	$	$
1986	**21,788**	6,411	**88,359**	**958**		**52,575**	**475,610**	**24,473**
1985			**97,235**	3,273		**33,816**	424,971	**20,673**
1984			**85,180**	566		**30,015**	438,613	**30,288**
1983			**71,443**	(131)		**(5,346)**	357,342	**9,374**
1982			**64,363**	(3,507)		**3,862**	315,296	**16,463**

Balance Sheet Summary (in thousands of dollars)								
December 31	**1986**	1985	**1986**	1985	**1986**	**1985**	**1986**	**1985**
Current assets	**31,202**	3,596	**41,552**	40,842	**242**	**77**	**260,810**	**221,132**
Current liabilities	**14,170**		**34,453**	35,587	**23**	**111**	**99,937**	**75,582**
Working capital	**17,032**	3,596	**7,099**	5,255	**219**	**(34)**	**160,873**	**145,550**
Investments					**444,594**	**402,178**	**59,205**	**23,648**
Fixed assets – at cost less accumulated depreciation	**252,207**	172,693	**29,155**	32,038			**466,114**	**[illegible]**
Other assets	**28,082**	6,448		3			**40,516**	**[illegible]**
Total investment	**297,321**	182,737	**36,254**	37,296	**444,813**	**402,144**	**726,708**	**[illegible]**
Long-term debt	**208,410**	132,237			**40,400**	**44,426**	**337,184**	**[illegible]**
Deferred income taxes							**61,418**	**[illegible]**
Other liabilities					**1,750**	**2,134**		
Minority interest							**77,221**	**[illegible]**
Shareholder's equity	**88,911**	50,500	**36,254**	37,296	**402,663**	**355,584**	**250,885**	**[illegible]**

*Dofor Inc. holds 55.3% of Donohue Inc. and 28% of Domtar Inc. The results of Donohue are not consolidated since Dofor has announced its firm intention of disposing of its investment in Donohue.

Domtar Inc. (and its subsidiaries)		Marine Industrie Limitée (and its subsidiary)		Cegelec Industrie Inc.** (and its subsidiary)		Bio-Méga Inc. (and its subsidiary)		Industries Tanguay Inc.	
Sales	Net earnings (loss) for the year	Sales	Net earnings (loss) for the year	Sales	Net earnings (loss) for the year	Sales	Loss for the year	Sales	Net earnings (loss) for the year
$	$	$	$	$	$	$	$	$	$
,326,500	145,000	153,168	1,536	32,652	102	1,754	4,059	19,514	(700)
2,129,500	110,400	113,812	(5,591)	40,727	186	1,301	2,400	21,093	610
2,044,300	90,500	117,715	(2,989)	33,681	(1,615)	2,204	684	18,622	808
1,820,000	38,100	173,439	4,424	34,258	373	3,000	472	11,036	(187)
1,686,600	(5,100)	193,653	4,744	45,569	835	326	2	6,168	(1,393)
1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
795,900	702,400	43,274	78,001		20,982	2,366	1,420	13,801	13,311
417,200	349,000	38,826	70,747		18,444	2,291	1,743	13,994	11,246
378,700	353,400	4,448	7,254		2,538	75	(323)	(193)	2,065
24,000	23,200								
,420,400	1,062,300	41,643	43,580		3,069	14,318	14,274	2,564	2,240
29,400	10,900	4,787	2,716		1,412	233	194	2,530	1,607
,852,500	1,449,800	50,878	53,550		7,019	14,626	14,145	4,901	5,912
321,400	275,700	6,268	7,185		2,086	9,130	8,393	1,162	1,731
280,200	225,400								
121,000	73,100	15,617	18,062		307				
3,800	3,800		636			713	660		
,126,100	871,800	28,993	27,667		4,626	4,783	5,092	3,739	4,181

**SGF reduced to 10% its participation in Cegelec Industrie Inc. as of December 31, 1986, therefore it does not consolidate its balance sheet.

Human Resources

A total of 21,241 people were employed in Groupe SGF companies at the end of 1986, virtually unchanged from the previous year.

Employment levels were stable at most member companies. The two major exceptions were a significant decline in the Marine Industrie workforce, due to reduced shipbuilding activities, and an increase of Aluminerie de Bécancour employment from 258 to 715, due to start-up of Bécancour smelter operations.

Development projects currently underway at SGF companies will contribute to job creation. These initiatives include Domtar's new fine papers complex at Windsor, the distribution agreement between Caterpillar and Industries Tanguay, the acquisition of Versatile Group assets by Marine Industrie and other projects under discussion by SGF and its partners.

Number of employees at December 31	1986	1985
Aluminerie de Bécancour Inc.	**715**	258
Alcools de Commerce Enrg.	**70**	66
Bio-Méga Inc.	**119**	123
Cegelec Industrie Inc.*		246
Domtar Inc.	**15,332**	14,769
Donohue Inc.	**2,948**	3,000
Industries Tanguay Inc.	**212**	190
Marine Industrie Limitée	**1,578**	2,326
Pétromont, société en commandite	**225**	214
Société générale de financement du Québec	**20**	23
Others	**22**	24
	21,241	21,239

*SGF reduced its interest in Cegelec Industrie in 1986 to 10%.

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Ministère de l'Industrie et du Commerce

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National Bank of Canada

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Yves Guérard *
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Partner
Pouliot, Mercure, Lebel & Associés

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Executive Vice-President

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Vice-President,
Finance and Treasurer

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Corporate Development

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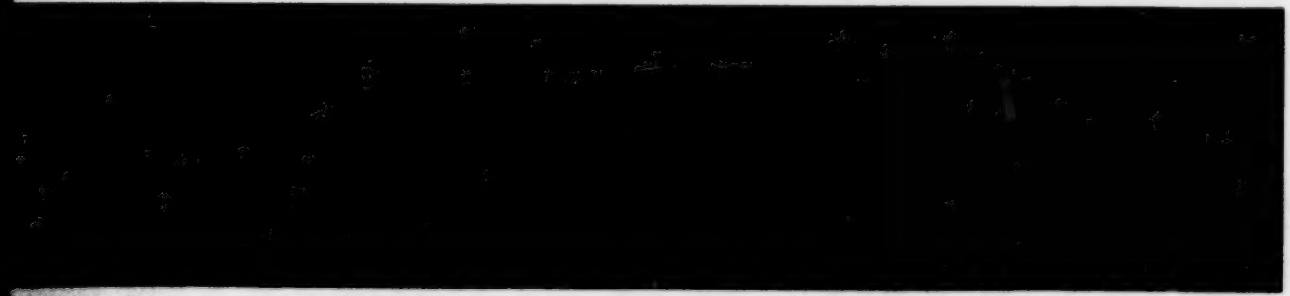

Louis-Gilles Gagnon Claude Hélie Robert Tessier Yvon Marcoux Louis M. Riopel Manley S. Schultz